Republic of the Union of Myanmar
Form (2)
Sr. No. 2419
Dated 13-2-2013
Myanmar Investment Commission

MIC

The Myanmar Investment Commission

PERMIT

Permit No. 560/2013 Date 13 February 2013

The Myanmar Investment Commission issues this Permit under Section 10 of the Union of Myanmar Foreign Investment Law-

(a) Name of Promoter DIRECTOR GENERAL, ENERGY PLANNING DEPARTMENT

(b) Citizenship MYANMAR

(c) Address BUILDING NO. 6, NAY PYI TAW

(d) Name and Address of principal organization MINISTRY OF ENERGY, BUILDING NO. 6, NAY PYI TAW

(e) Place of incorporation NAY PYI TAW

(f) Type of business in which investment is to be made EXPLORATION & PRODUCTION OF CRUDE OIL AND NATURAL GAS

(g) Place(s) at which investment is permitted TANINTHAYI OFFSHORE DEEP WATER BLOCK MD-8, TANINTHAYI REGION

(h) Amount of foreign capital US$ 95.15 MILLION

(i) Period for bringing in foreign capital 2013 TO 2020

(j) Total amount of capital (Kyat) EQUIVALENT IN KYAT OF US$ 95.15 MILLION

(k) Permitted duration of investment 20 YEARS OF COMMERCIAL OPERATION

(l) Name of the economic organization to be formed in Myanmar PTTEP SOUTH ASIA LIMITED

Chairman
The Myanmar Investment Commission

REPUBLIC OF THE UNION OF MYANMAR

MYANMAR INVESTMENT COMMISSION

Our ref : Ya Ka-1/Na- 766 /2013(2419)
Dated : 13th February 2013.

Tel: 067- 406334,406075
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Subject; **Decision of the Myanmar Investment Commission on the Proposal for "Exploration and Production of Crude Oil & Natural Gas for Taninthayi offshore deep water Block MD-8 in Taninthayi Region" under the name of " PTTEP South Asia Limited"**

Reference: Ministry of Energy, Letter No. 008/792/Hta (092/2013) dated (25.1.2013).

1. The Myanmar Investment Commission, at its meeting (2 /2013) held on (9-1-2013) had reviewed the proposal for investment in "Exploration and Production of Crude Oil & Natural Gas for Taninthayi offshore deep water Block MD-8 in Taninthayi Region " under the name of "PTTEP South Asia Limited" pursuant to the Production Sharing Contract to be signed between Myanma Oil and Gas Enterprise and PTTEP South Asia Limited. After careful review, it was deliberated that the proposed project be approved in principle for implementation and the proposal be submitted to the Cabinet of the Union Government for final approval.

2. The Cabinet of the Union Government, at its meeting (3/2013) held on (17- 1-2013), resolved to permit the implementation of the said project. Hence, the "Permit" is herewith issued in accordance with Chapter VI, Section 10 of the Republic of the Union of Myanmar Foreign Investment Law and Chapter VI, Article 13 of the Procedures relating to the said Law. Terms and conditions to the "Permit" are stated in the following paragraphs.

3. The permitted duration of the project shall be 20 (Twenty) years. An initial exploration period shall be 3(three) consecutive years and extendable 2(two) years.

Production Bonus

Crude Oil

At BOPD	US $(MILLION)
Upon approval of Development Plan	1.00
25,000(for 90 consecutive days production)	2.00
50,000(for 90 consecutive days production)	3.00
100,000(for 90 consecutive days production)	4.00
150,000(for 90 consecutive days production)	5.00
200,000(for 90 consecutive days production)	10.00

Natural Gas

At MMCFD	US $(MILLION)
Upon approval of Development Plan	1.00
150(for 90 consecutive days production)	2.00
300(for 90 consecutive days production)	3.00
600(for 90 consecutive days production)	4.00
750(for 90 consecutive days production)	5.00
900(for 90 consecutive days production)	10.00

8. After the commencement of commercial production of Crude Oil and/or Natural Gas shall fulfil as its obligation 20%(Twenty) per cent of Crude Oil and 25% (Twenty Five) per cent of Natural Gas toward the supply of the domestic Crude Oil and Natural Gas market in Myanmar. Myanma Oil and Gas Enterprise shall pay the price equivalent of 90%(Ninety) per cent of the Fair Market Price.

9. PTTEP South Asia Limited shall provide Training Fund to the amount of US $ 50,000 (United States Dollar Fifty Thousand only) per contract year for Exploration Period and US$ 100,000 (United States Dollar One Hundred Thousand only) per contract year for Development and Production Period and shall also provide Research and Development Fund to the amount of 0.5%

4. PTTEP South Asia Limited shall pay royalty to the Government equal to 12.5% percent of the value of Available Petroleum from the Contract Area.

5. PTTEP South Asia Limited shall pay to Myanma Oil & Gas Enterprise to the amount of US $ 2,000,000 (United States Dollar Two Million only) as Signature Bonus within 20 (Twenty) days after entering into the initial exploration period.

6. Production Split between Myanma Oil and Gas Enterprise and PTTEP South Asia Limited shall be allocated for Development and Production Area as follows:-

Crude Oil

Water Depth	Less than or Equal to 2,000 feet		Over 2,000 feet	
BOPD	MOGE(%)	CONT (%)	MOGE(%)	CONT (%)
0 - 25,000	60	40	60	40
25,001- 50,000	65	35	65	35
50,001- 100,000	80	20	75	25
100,001-150,000	85	15	80	20
Above 150,000	90	10	85	15

Natural Gas

Water Depth	Less than or Equal to 2,000 feet		Over 2,000 feet	
BOPD	MOGE(%)	CONT (%)	MOGE(%)	CONT (%)
0 -300	65	35	55	45
301 - 600	75	25	65	35
601 - 900	85	15	75	25
Above 900	90	10	80	20

7. PTTEP South Asia Limited shall pay Production Bonus to Myanma Oil and Gas Enterprise with respect to each Crude Oil and Natural Gas development and production area as follows:

(Zero Point Five) per cent of its share of profit Petroleum in favour of Myanma Oil and Gas Enterprise.

10. Myanma Oil and Gas Enterprise shall have the right to demand from PTTEP South Asia Limited that a up to 20% (Twenty) per cent and up to 25% (Twenty Five) per cent of undivided interest if the reserve is greater than five (5) trillion cubic feet on Barrels of Oil Equivalent basis.

11. PTTEP South Asia Limited is liable to pay the Government the following tranches out of the net profit made on the sale or transfer of the shares in the Company.

(a) If the amount of Net Profit is up to and including US$ 100 million (United States Dollars One Hundred Million only)	40%
(b) If the amount of Net Profit is between US$ 100 million and US$ 150 million (United States Dollar One Hundred Million Only and United States Dollar One Hundred and Fifty Million only)	45%
(c) If the amount of Net Profit is over US$ 150 million (United States Dollar One Hundred and Fifty Million only)	50%

12. In issuing this "Permit," the Commission has granted the following exemptions and reliefs:

(a) As per section-21(a), exemption from income tax up to 36 (Thirty Six) consecutive months starting from the month of commencement of commercial operation.

(b) As per section-21(b), regarding exemption from income-tax on profits of the business if they are maintained in a reserve fund and re-invested therein within one year after the reserve is made, PTTEP South Asia Limited shall apply for such exemption only after the 36 (Thirty Six) consecutive months tax holiday period.

(c) As per section-21(c), PTTEP South Asia Limited shall be granted to accelerate depreciation in respect of machinery, equipment, building of other capital assets used in the business to the extent of the original value for the purpose of income-tax assessment. PTTEP South Asia Limited shall have to apply to the Commission such rates of depreciation.

(d) As per section-21(d), PTTEP South Asia Limited shall have the relief from income tax up to 50 per cent on the profits accrued from exports.

(e) As per section-21(e), PTTEP South Asia Limited shall have the right to pay income-tax payable to the State on behalf of foreigners who have come from abroad and are employed in the Company and the right to deduct such payment from the assessable income.

(f) As per section-21(f), the Commission has also approved the right to pay income-tax on the income of the above-mentioned foreigners at the rates applicable to the citizens residing within the country.

(g) As per section-21(g), regarding the right to deduct from the assessable income such expense incurred in respect of research and development relating to the Company which are actually required and are carried out within the State, PTTEP South Asia Limited shall apply, upon actual performance of such research and development programme, only after 36 (Thirty Six) consecutive months tax holiday period.

(h) As per section-21(h), regarding the right to carry forward and set-off up to three consecutive years from the year the loss is sustained following the enjoyment of exemption from income-tax. PTTEP South Asia Limited shall file the case, if any, to the Ministry of Finance and Revenue with regard to Article-4 of the Income Tax Amendment Law, 1991.

(i) As per section-21(i),exemption from customs duty and all other internal taxes on machinery, equipment, instruments, machinery components, spare parts and materials used in the business, which they are imported as they are actually required for use during the period of construction.

(j) As per section-21(j), exemption from customs duty and all other internal taxes on such raw materials and additional imports of machinery, equipment and spare parts which are actually required for operation of the business shall be granted within three years of commercial operation following the period of construction. However, such imports shall be subject to the approval endorsed by the Ministry of Energy.

13. PTTEP South Asia Limited shall have to sign the Production Sharing Contract with Myanma Oil and Gas Enterprise. After signing such Agreement, (5) copies each of those shall have to be forwarded to the Commission.

14. PTTEP South Asia Limited in consultation with the Department of Company Registration, Directorate of Investment and Company Administration shall have to be registered. After registration, (5) copies each of Certificate of Incorporation and Memorandum and Articles of Association shall have to be forwarded to the Commission.

15. PTTEP South Asia Limited shall use its best efforts for timely realization of works stated in the Proposal. If none of such works has been commenced within one year from the date of issue of this "Permit", it shall become null and void.

16. The commercial date of operation shall be reported to the Commission.

17. PTTEP South Asia Limited shall endeavour to meet the targets for Exploration and Production of Crude Oil & Natural Gas stated in the proposal as the minimum target,

18. The Commission approves periodical appointments of foreign experts and technicians from abroad as per proposal PTTEP South Asia Limited shall have to consult with Directorate of Labour, Ministry of Labour, Employment and Social Security for appointment of such foreign experts and technicians.

19. In order to evaluate foreign capital in terms of Kyats and for the purpose of its registration in accordance with the provision under Section-24 of the Union of Myanmar Foreign Investment Law, it is compulsory to report as early as possible in the following manner:-

(a) the amount of foreign currency brought into Myanmar, attached with the necessary documents issued by the respective bank where the account is opened;

(b) the detailed lists of the type and value of foreign capital defined under Section - 2(h) of the said Law, other than foreign currency.

20. Whenever brings in foreign capital defined under Section-2(h) of the said Law, other than foreign currency in the manner stated in paragraph 19(b) mentioned above, the Inspection Certificate endorsed and issued by an internationally recognized Inspection Firm with regard to quantity, quality and price of imported materials shall have to be attached.

21. After all types of foreign capital (foreign currency and other types of foreign capital) have been brought into Myanmar, a report shall have to be submitted to the Commission as prescribed, vide letter No. Na-Ya 9/101/92(416) dated 3-12-92 [Annexure (1)].

22. PTTEP South Asia Limited shall have the right to conduct account transfer in exchanging foreign currency into Kyat and vice- versa as per para 20 of the Notification No. 40/2011 issued by the Union Government of the Republic of the Union of Myanmar, dated 30 September 2011.

23. PTTEP South Asia Limited shall report to the Commission of any alteration in the physical and financial plan of the project. Cost over run, over and above the investment amount pledged in both local and foreign currency shall have to be reported as early as possible.

24. PTTEP South Asia Limited shall be responsible for the preservation of the environment at and around the area of the project site. Hence, it shall observe the directive issued by the Commission vide letter No.Ya Ka-1/ 139/94(0440) dated 30-6-94 [Annexure(2)] to undertake all proper treatment systems and other necessary environmental control systems. In addition, PTTEP South Asia Limited shall be responsible to abide by the rules & regulations and comments made by Ministry of Environmental Conservation and Forestry.

25. Payment of principal and interest of the loan(if any) as well as payment for import of raw materials and spare parts etc. shall only be made out of the official foreign exchange earnings of PTTEP South Asia Limited

26. PTTEP South Asia Limited in consultation with Myanma Insurance, shall effect such types of insurance defined under Chapter VIII, Article 15 of the Procedures relating to the Republic of Union of Myanmar Foreign Investment Law.

(Soe Thane)
Chairman

Director General
Energy Planning Department

cc:
1. Office of the Government of the Republic of the Union of Myanmar
2. Office of the Taninthayi Region Government
3. Ministry of National Planning and Economic Development
4. Ministry of Finance and Revenue
5. Ministry of Commerce
6. Ministry of Energy
7. Ministry of Foreign Affairs
8. Ministry of Home Affairs
9. Ministry of Immigration and Population

10. Ministry of Labour, Employment and Social Security
11. Ministry of Electric Power
12. Director General, Directorate of Investment and Company Administration
13. Director General, Customs Department
14. Director General, Internal Revenue Department
15. Managing Director, Myanma Oil and Gas Enterprise
16. Managing Director, Myanma Foreign Trade Bank
17. Managing Director, Myanma Investment and Commercial Bank
18. Managing Director, Myanma Insurance
19. Managing Director, Myanma Electric Power Enterprise
20. Director General, Directorate of Trade
21. Director General, Immigration and National Registration Department
22. Director General, Directorate of Labour
23. Chairman, the Republic of the Union of Myanmar Federation of Chambers of Commerce and Industry(UMFCCI)